

INTEREST AND DIVIDENDS FROM “DOUBLE EXEMPT” BONDS

Prior Law_____

Under various provisions scattered throughout the Iowa Code, interest and dividends from certain government issued bonds are exempt from Iowa individual and corporation income taxes. Interest and dividends from these bonds is generally not exempt from franchise taxes paid by financial institutions.

New Provisions_____

There is no substantive change. For clarity, Iowa Code sections 422.7(2) and 422.35(2) are amended to explicitly state that interest and dividends from the tax exempt bonds is excluded when computing Iowa net income and to consolidate the references to those bonds in one section of the Iowa Code. Revised section 422.7(2) also cross-references the various statutes granting tax exempt status. In addition, Iowa Code section 422.61(3)(b) is amended to recognize that the exclusion does not generally apply to franchise taxes. Duplicative references to the exempt bonds in Iowa Code sections 422.7(19), 422.7(48), and 422.35(13) are eliminated.

Section Amended_____

Section 1 of 2013 Iowa Acts House File 575 amends section 422.7, subsection 2, Code 2013. Section 2 strikes section 422.7, subsections 19 and 48, Code 2013. Section 5 amends section 422.35, subsection 2, Code 2013. Section 6 strikes section 422.35, subsection 13, Code 2013. Section 7 amends section 422.61, subsection 3, paragraph b, Code 2013.

Effective Date_____

July 1, 2013.